

MEMORANDUM FOR RECORD

SUBJECT: May 6, 2008 Meeting of the Industry/Corps Hopper Dredge Management Group (ICHDMG)

Date & Location

On Tuesday, May 6, 2008 the ICHDMG convened at the Washington Court Hotel in Washington, D.C. The timetable of the meeting was 8:00 a.m. to noon and preceded a Silent Inspector Board Meeting. The Corps National Dredging Meeting was held the next day, followed by the DCA Congressional Reception later that evening in the Gold Room of the Rayburn House Office Building on Capitol Hill. The Agenda is included below. The Attendees List is provided separately as a PDF. All meeting materials and presentations can be found on the Corps Navigation Gateway website:

<http://operations.usace.army.mil/conference.cfm?CoP=Nav&Id=08mayICHDMG&Type=Conf>

1. Welcome & Introductions – *Barry Holliday & Jim Walker*

Barry Holliday from the Dredging Contractors of America (DCA) and Jim Walker from Headquarters of the U.S. Army Corps of Engineers (USACE) presided at the meeting. Mr. Holliday and Mr. Walker called the meeting to order at 8:00 a.m., welcomed the group and stressed how valuable this partnering process between industry and the Corps has been and looked forward to continued healthy dialogue.

2. Hopper Dredge Schedules – *Don Pommer & MSC Representatives*

Each of the Corps divisions discussed their schedules, reviewed project specifics, and answered questions. A common issue was lack of sufficient funding and the trend to couple traditionally independent projects into singular contracts with the second project classified as the option, i.e. Wilmington Harbor Mid River (Base) with Morehead City Inner Harbor (Option) and Galveston Entrance Channel (Base) with Galveston Inner Harbor (Option). Mississippi Valley Division highlighted the fact that due to extreme amounts of shoaling, Southwest Pass has thus far in 2008 required the work of seven hopper dredges, five from industry and two from government; future dredging needs remain uncertain at this time. Mr. Walker reminded the division and district representatives of the annual objective to upload dredging project data into the Dredging Information System post release of the President's Budget. Each district should make sure that its FY 2009 project info is properly inputted as soon as possible.

3. Essayons & Yaquina Schedules – *Sheryl Carrubba*

The *Essayons* is currently in dry dock being repowered. According to Ms. Carrubba's handout, it will be returning late summer to work the Mouth of the Columbia River in August and September for a projected 32 days and the Columbia and Lower Willamette River for 12 days in September. The *Yaquina* is scheduled to work on a number of projects delineated in the handout for a projected total of 110 days in the May 08 to September 08 timeframe.

4. West Coast Regional Contract – Sheryl Carrubba & Industry

The West Coast Regional Contract is a three-district cooperative between Portland (handling all the administration), San Francisco and Seattle Districts, designed to manage dredging needs with industry while the *Essayons* undergoes repowering until August of this year. The government estimate was \$14.1 M. Base (\$18.7 M. w/ options). Industry bids ranged from \$18.7 M to \$37.3 M. The awardee was Great Lakes Dredge and Dock Company (with the Terrapin Island hopper dredge). Other bidders were Weeks Marine and Manson Construction Company. Award was made on March 17, 2008, and dredging started April 13, 2008. To date, Gray's Harbor is complete, and work is ongoing at Humboldt. Overall construction is planned to last through November. Most importantly, both parties consider this contracting experience to be a success story for Corps/Industry Partnering. Ample lead time to review and provide feedback on plans and specs and post-award partnering meetings proved highly effective in clarifying needs, expectations and capability. In this case, a partnering meeting was held just one day after the award was made and another just eleven days after dredging commenced. Lessons learned from this should be applied elsewhere. Unfortunately for the West Coast, increased air quality restrictions, smaller environmental windows and dredged material disposal issues make another regional contract there unlikely in the near future.

5. Status of Mississippi River Requirements/Review of Dredge Decisions – Steve Jones

Mr. Jones highlighted the great partnering effort between Corps and industry that worked to resolve the major shoaling issues along the Mississippi River, notably in Southwest Pass and the crossings between Baton Rouge and New Orleans. So far this year, a total of seven hopper dredges have worked in SWP, and two dustpans at the Crossings, to combat the worst depths seen since 1973. Mr. Walker and Mr. Holliday both concurred that the partnering was excellent. Mr. Walker then gave a bleak funding forecast for the rest of the year. Currently, there is a \$25 M. shortfall for the Lower Miss. R., and HQ has \$0 at its disposal for it. Hopefully, the year-end supplemental will include funds for Civil Works, in addition to military funding, but that remains unknown. He advised the districts to continue to work with industry in finding creative logistical solutions to help survive in this just-in-time funding environment. Lastly, he alluded to a new initiative, the Harbor Maintenance Trust Fund Fairness Coalition, that would remedy these flat budget times by doubling the Corps navigation O&M budget. My Holliday addresses this topic later on in the meeting.

6. Future Plans for the *McFarland* – David Olson

Per the Water Resources Development Act of 2007, the *McFarland* will be placed in ready reserve status in the beginning of FY 2010, allowed to only 70 training days in the Delaware River barring an emergency to which industry cannot respond. To render the *McFarland* able to perform in a ready reserve role (including but not limited to responding within 72 hours), the Philadelphia District, the dredge-owning district, submitted for approval a Plant Replacement and Improvement Program (PRIP) Package, based off a 2002 study, to Corps HQ requesting funds to upgrade the engines and air conditioning/heating systems, replace the electrical system (incl. switch gears and controls), and remove asbestos from the state rooms. Should the request be higher than the PRIP threshold, Congress would have to grant approval as well. Mr. Olson added that there would be no change in the 38-person crew, who at times would work on the *Wheeler* too in order to gain further experience. The *McFarland* will be manned by a crew of eight to ten at the dock. When asked which dredge, the *Wheeler* or the *McFarland*, would be called out first in a raise-the-flag scenario, Mr. Walker explained that geography would heavily influence the decision.

7. South Atlantic Division (SAD) Replacement Dredge – *Jim Walker*

After approximately six years of studying the economics of building a new hopper replacement dredge and gauging the future funding stream to justify the investment, SAD awaits final approval from Corps HQ to build a special purpose hopper dredge with sidecasting capability, which would perform some of the same work that the *Currituck* currently performs, without replacing it entirely. Either one or both of SAD's original sidecaster dredges may actually be retired in the process, due in part to the decreasing environmental acceptance of the dredge type. The new dredge is to have a bigger hopper bin than the *Currituck* and pull a 8.5 ft. draft. Its sidecaster equipment may be removable when not needed. Further details were not known at this time.

8. Use of RFPs vs. IFBs – *Corps and Industry*

Given the shrinking and uncertain funding pattern for federal navigation projects, there was much discussion over whether IFBs or RFPs were the more practical contracting method to get work done with fewer and fewer dollars. Both parties voiced their opinions. It was generally accepted that IFBs work best for routine projects, maintenance or new work, and that RFPs are better designed for special cases. Whereas the Corps likes the RFP method because it allows for rescoping and renegotiating work for the funds available, industry strongly dislikes it, including MATOCs, because post-award notification to losing bidders has often taken longer than expected, data-based knowledge is precluded from companies, and barriers to entry are created for new entrants. The Corps' concerns with IFBs are that if all bids exceed the awardable limit, then the project must be descoped and resolicited as an RFP and that contracts can't be opened for bids without having funds already available. Mr. Holliday noted that the New Orleans model of advertising projects as IFBs with quantities determined by amendment may be helpful in working around the funding, timing and management of plant issues associated with RFPs. He also mentioned that there were mixed opinions and no conclusions reached over this agenda item at an Associated General Contractors of America conference earlier in the week.

9. Old/New Business – *Barry Holliday & Jim Walker*

Mr. Holliday provided a status update on the Harbor Maintenance Trust Fund Fairness Coalition and RAMP (Realize America's Maritime Promise). For background and details, please visit www.ramphmtf.org. There was brief discussion over whether or not industry plant could absorb the increased workload and whether the Corps could execute the increase. Industry stated that they would respond in a variety of ways: dredges in repair would reenter service, the current fleet would witness higher utilization rates, and/or new vessels would be built. Mr. Walker noted that the Corps could currently execute approx. \$1.3 B. worth of navigation projects, and \$1.6 B. in a few years. The additional revenues gained from the HMTF would create a reliable domestic navigation system.

10. Closing Remarks & Adjournment – *Barry Holliday & Jim Walker*

Noting that the Silent Inspector Board Meeting would be meeting following the ICHDMG session, Mr. Holliday adjourned the meeting at 11:45 a.m. The next ICHDMG is scheduled for Thursday, October 9, 2008 in conjunction with the WEDA Eastern Chapter Fall Conference in Charleston, South Carolina at the Mills House Hotel.

U. S. Army Corps of Engineers/
Dredging Contractors of America
ICHDMG Meeting
Tuesday, May 6, 2008
Washington Court Hotel

Time	Topic	Presenter
0730	Continental Breakfast	
0800	Welcome & Introductions	Barry Holliday/Jim Walker
0815	Hopper Dredge Schedules	Donald Pommer/MSC Reps
0900	Essayons & Yaquina Schedules	Sheryl Carrubba
0915	West Coast Regional Contract	Sheryl Carrubba/Industry
0945	Break	
1000	Status of Miss. River Requirements/ Review of Dredge Decisions	Steve Jones
1030	Future Plans for McFarland	David Olson
1045	SAD Replacement Dredge	Jim Walker
1100	Use of RFP's vs IFB's	Industry
1130	Old/New Business	Barry Holliday/Jim Walker
1150	Closing Remarks	Barry Holliday/Jim Walker
1200	Adjourn	